



Audit Report



OIG 04-007

Audit of the Alcohol and Tobacco Tax and Trade Bureau's Schedule of Custodial Activities for Fiscal Year Ended September 30, 2003

November 20, 2003

Office of
Inspector General

Department of the Treasury



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

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MEMORANDUM FOR ARTHUR J. LIBERTUCCI, ADMINISTRATOR
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

FROM: William H. Pugh, *William H. Pugh*
Deputy Assistant Inspector General
for Financial Management and Information
Technology Audits

SUBJECT: Audit of the Alcohol and Tobacco Tax and Trade
Bureau's Schedule of Custodial Activities for the
Fiscal Year Ended September 30, 2003

I am pleased to transmit the attached audited Alcohol and Tobacco Tax and Trade Bureau (TTB) Schedule of Custodial Activities for the fiscal year ended September 30, 2003 (the Schedule). The Schedule presents the collection and disposition of TTB's non-entity revenue. We contracted with the independent certified public accounting firm of KPMG LLP, an Independent Public Accountant (IPA), to audit the Schedule.

The contract required that the audit be performed in accordance with generally accepted government auditing standards; applicable provisions of OMB's bulletin, *Audit Requirements for Federal Financial Statements*; and the GAO/PCIE *Financial Audit Manual*.

The IPA issued the following reports, which are incorporated in the attachment:

- Independent Auditors' Report on the Schedule of Custodial Activities;
- Independent Auditors' Report on Internal Control over Financial Reporting; and
- Independent Auditors' Report on Compliance with Laws and Regulations.

In its audit, KPMG LLP found that the TTB's Schedule was fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. However, the Independent Auditor's Report on Internal Control over Financial Reporting contained the following reportable conditions, which were not considered material weaknesses:

- TTB Can More Effectively Manage Controls over Financial Network Operating Systems,
- TTB Can More Effectively Manage Access Controls over Various Financial and Operational Databases, and
- TTB Accounting Infrastructure must be Established to Provide Effective Oversight of the Financial Management Process

In addition, KPMG LLP found no instances of reportable noncompliance with laws and regulations it tested.

In connection with the contract, we reviewed KPMG LLP's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the Schedule or conclusions about the effectiveness of internal control; or a conclusion on compliance with laws and regulations. KPMG LLP is responsible for the attached auditor's report dated November 7, 2003 and the conclusions expressed in the report. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-5430, or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits at (202) 927-5789.

Attachment

**DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU**

Schedule of Custodial Activities

For the Year Ended September 30, 2003

(With Independent Auditors' Reports Thereon)

This audit is not for public dissemination.

For further information, please contact the

OIG Office of Counsel at (202) 927-0650